

(d) *Valuation of donated services.* (1) *Volunteer services.* Unpaid services provided to a grantee or subgrantee by individuals will be valued at rates consistent with those ordinarily paid for similar work in the grantee's or subgrantee's organization. If the grantee or subgrantee does not have employees performing similar work, the rates will be consistent with those ordinarily paid by other employers for similar work in the same labor market. In either case, a reasonable amount for fringe benefits may be included in the valuation.

(2) *Employees of other organizations.* When an employer other than a grantee, subgrantee, or cost-type contractor furnishes free of charge the services of an employee in the employee's normal line of work, the services will be valued at the employee's regular rate of pay exclusive of the employee's fringe benefits and overhead costs. If the services are in a different line of work, paragraph (d)(1) of this section applies.

(e) *Valuation of third party donated supplies and loaned equipment or space.* (1) If a third party donates supplies, the contribution will be valued at the market value of the supplies at the time of donation.

(2) If a third party donates the use of equipment or space in a building but retains title, the contribution will be valued at the fair rental rate of the equipment or space.

§ 645.310 What assurance must a State provide that it will make the required matching expenditures?

In its State plan, a State must provide a written estimate of planned matching expenditures and describe the process by which the funds will be tracked and reported to ensure that the State meets its projected match (section 403(a)(5)(A)(i)(I) of the Act).

§ 645.315 What actions are to be taken if a State fails to make the required matching expenditures?

(a) The Department will implement an annual reconciliation and grant adjustment for WtW grants.

(1) The reconciliation will be based on reported match expenditures through the end of the FY report,

which is due 45 days after the end of the fiscal year.

(2) If the end of FY report has not been received by December 1 of that year, then the reconciliation will be based on the most current report received.

(b) If match expenditures do not satisfy the requirement of the FY grant, the subsequent FY grant amount will be reduced by the appropriate corresponding amount (i.e., the grant will be reduced by two (2) dollars for each one (1) dollar shortfall in State matching funds).

§ 645.320 When will formula funds be reallotted, and what reallocation procedures will the Secretary use?

(a) No reallocation of funds among States will occur during FY 98;

(b) For subsequent fiscal years, a reconciliation will be made during the first quarter of the fiscal year under § 645.315 of this part to determine whether or not a State has satisfied its required level of matching funds for the prior year.

(c) If a State has failed to expend the required level of matching funds, the required reduction in the State grant will be made during the second quarter of the fiscal year.

(d) Also, any funds which become available as a result of underexpenditures of required match, or failure to obligate 100 percent of the funds by either States or substate entities by the end of the fiscal year of the grant, will be reallotted among qualifying States (i.e., those which have committed a sufficient match to qualify for additional funds). The reallocation will occur during the second quarter of the following fiscal year (section 403(a)(5)(A)(i)(I) of the Act).

Subpart D—State Formula Grants Administration

§ 645.400 Under what conditions may the Governor request a waiver to designate an alternate local administering agency?

(a)(1) The Governor may include in the State's WtW Plan a waiver request to select an agency other than the PIC to administer the program for one or more SDAs in a State; or